

# **EXHIBIT 1**

**FILED UNDER SEAL PURSUANT TO  
PROTECTIVE ORDER**

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF TENNESSEE  
GREENEVILLE**

**IN RE: SOUTHEASTERN MILK  
ANTITRUST LITIGATION**

**Case No. 2:08-MD-1000**

**THIS DOCUMENT RELATES TO:  
ALL CASES**

**Judge J. Ronnie Greer  
Magistrate Judge Dennis H. Inman**

**DECLARATION OF ERNEST W. YATES**

1. My name is Ernest W. Yates. I am employed by Dean Foods Company ("Dean") as Vice President of Industry Relations. I am responsible for negotiating and purchasing raw milk for the Company's dairy operations. I have worked in the dairy industry since 1983 and have been employed by Dean (or its predecessor, Suiza Foods Corporation) since 1997. I have personal knowledge of the matters set forth herein.

2. In my work for Dean, one of my primary responsibilities is to procure the highest quality raw milk at the most competitive price, and to ensure that our processing plants have a sufficient supply of raw milk to meet our customers' demand for processed milk and other dairy products.

3. At present, Dean procures its raw milk supply for plants located in the Southeast in several ways.

4. First, Dean has contractual agreements with Dairy Farmers of America ("DFA") to supply certain plants with the amount of raw milk required by those plants. Dean understands that as a result of the supply deficit in the Southeast, there will be times when DFA may not have access to sufficient local supply and must therefore transport raw milk from other areas to certain

of our plants in the Southeast. Under the supply agreements, DFA is nonetheless obligated to procure milk sufficient to meet the processing needs of our plants. As noted above, having sufficient milk for our processing plants is essential to Dean's ability to serve our customers and satisfy demand for processed milk and dairy products. If DFA did not provide us with sufficient quantities of milk to meet our needs, Dean would need to acquire such supplemental milk from elsewhere (or would need to find a new supplier(s) that would agree to supply its needs on a consistent basis). The procurement of sufficient volumes of milk, notwithstanding that the Southeast is a deficit area, is one of the services Dean has contracted for in its supply agreement with DFA, and it pays premiums to DFA for these service. If DFA did not provide this service, Dean would not be willing to pay the same premiums it currently pays (and would probably switch suppliers altogether).

5. Second, Dean has supply agreements with other dairy cooperatives, and these agreements are unrelated to, and outside of, Dean's supply agreements with DFA. Specifically, Dean has supply agreements with the Maryland & Virginia Cooperative for full supply at our bottling plants in Baxley, GA and High Point, NC. We have had a supply agreement with Maryland & Virginia for the entire time period of Dean's ownership of these plants. In addition to our Maryland & Virginia agreements, we also have a full supply agreement with Southeast Milk, Inc. for our supply needs at our bottling plant in Florence, SC. We entered into this agreement with Southeast Milk in the spring of 2008.

6. Third, through an outsourcing agreement with Dairy Marketing Services ("DMS"), Dean procures raw milk from independent producers who are not members of any cooperative. Dean entered into this outsourcing agreement in 2003 to better focus on its core business of milk processing, and is able to benefit from cost savings and efficiencies that DMS

can provide in milk procurement. The services DMS provides include: field work, providing a team of field men, scheduling, lab testing, payroll, balancing our milk needs against production, and other services. In return for these services, Dean pays a premium to DMS.

7. Fourth, beginning in 2005, Dean resumed procuring milk directly from independent producer (a program sometimes referred to as "direct-pay" or "Dean-Direct"), notwithstanding our outsourcing agreement with DMS. This program was prompted by a concern that certain independent producers, who were unhappy with DMS, would decide to join a cooperative or otherwise market their milk to a competing processor and no longer be part of our supply chain. There is substantial competition for raw milk in the Southeast; independent producers have no fixed obligation to continue selling their milk to Dean and will do so only if their pay price is competitive with what they could get by selling to other processing plants or by joining a cooperative.

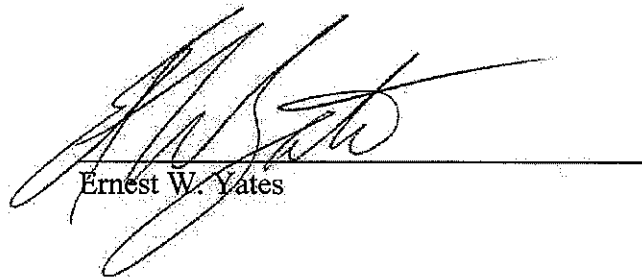
8. Since 2005, this Dean Direct program has grown considerably in the Southeast. Today, there are approximately 160 independent producers in the Southeast selling directly to Dean at the following plants: Barber Dairy (Birmingham, AL); Mayfield Dairy Farms (Athens, TN); Purity Dairy (Nashville, TN); Pet Dairy (Kingsport, TN); and Morningstar-Murray (Murray, KY). We have expanded this program to include many more direct-paid independent producers, notwithstanding the DMS outsourcing agreement, because we believed these producers might otherwise stop supplying our plants and switch to another purchaser.

9. Dean sometimes procures milk from direct-paid independent dairy farmers that may be located well outside the Southeast region. This may include plants covered by the DMS outsourcing agreement or even plants covered by a full-supply agreement with a cooperative. This happens, for instance, when the price charged for milk by DFA exceeds the cost to Dean of

obtaining milk from other sources, even if those sources are farther away. In such circumstances, we believe the supply agreements between Dean and DFA permit Dean to replace the DFA supply with non-DFA milk if DFA is unable (or unwilling) to offer a competitive price.

10. This year and last year, Dean has replaced DFA supply of milk at several plants in the Southeast with non-DFA milk, which we purchase from independent producers located in the states of Kansas, Michigan, Ohio and Indiana. Even after including the cost of transporting that milk hundreds of miles to our plants in the Southeast, the cost of the milk to Dean was still less than the prices we were being charged by DFA. We began purchasing milk from these suppliers in September of 2008, and continue to purchase milk from these suppliers today. Plants receiving milk from these independent suppliers include Pet Dairy (Spartanburg, SC), Mayfield Dairy Farms (Braselton, GA), and Barber Dairies (Birmingham, AL).

11. Pursuant to 28 U.S.C. § 1746, I, Ernest Yates, declare under penalty of perjury that the foregoing is true and correct.



Ernest W. Yates